

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620

Board Legislative Committee Minutes
Tuesday April 3, 2007
1:30 PM

Committee Members: Troy McGee, John Paull and Bob Griffith present

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller
Kim Flatow and Barbara Quinn, MPERA.

Other Attendees: none

Public Comment – *No public comment.*

Approval of Committee Minutes – Troy McGee made the motion to accept and John Paull seconded the motion for the minutes of the March 27, 2007 meeting.

Executive Director's Report

HB125 – Repay loan for startup costs of the defined contribution retirement plan. Sponsored by Dave Kasten. This bill passed the House State Administration Committee (17-1) on March 19th. Passed the House floor (89-11) on March 21st. Referred to House Appropriations and passed (12-7) on March 26th. Passed third reading on the House floor March 28th (62-38). Transmitted to the Senate Finance and Claims Committee, hearing scheduled for April 9th.

HB129 – the General Revisions Bill, is sponsored by Dave Gallik. Passed House State Admin (18-0) on January 19th. It passed out of Senate State Administration Committee on March 19th with an 11-0 vote. Passed second reading on the Senate floor (47-0) on March 24th and third reading (48-0) on March 26th. Signed by the Governor on April 5th.

HB159 – the Funding Bill, is sponsored by Representative Carol Lambert and Senator Larry Jent. This bill increases the employer contribution over two biennium for PERS and SRS. It also changes the allocation of the excess contribution for DC members to 1) pay the DC implementation loan; 2) pay down the PCR-UAL and 3) fund the disability plan. The bill makes no modifications to the current GABA. The bill was heard in the House State Administration Committee. **This bill was tabled in committee** on March 19th with an 11-7 vote.

An effort by Rep. Jacobson to revive it on the House floor failed (53-44).

HB131 – Generally revise public employee retirement laws. This is the Governor's bill for reducing the GABA and minimally increasing employer contributions to

actuarially fund the systems. PERB *opposes* this bill in its original form and as amended. It diminishes the current plan and creates disparity among members. The amendments also cause PERS and SRS to not be actuarially sound. This bill was moved to the State Admin Committee. On March 19th the committee made 2 amendments to the bill and passed it on to the House floor with an 11-7 vote.

The amendments split the contribution increase over two biennium and took out the language that allocated the employer contribution to 1) pay the DC loan, 2) pay down the plan choice rate and 3) fund the disability plan. This means there could be problems if HB125 does not pass. A third amendment did not pass – to take the small systems out of HB131 – by a 10-8 vote.

After much debate and several attempts to revise, this bill passed the third reading on the House floor (73-26) as originally amended. The bill was transferred to the Senate on March 24th and has been assigned to the Senate Finance and Claims and was heard on Apr 3rd. After polling the legislative committee, staff testified as informational. However, the chair stated that the testimony was in opposition.

Bill Review

HB63 – Actuarially funding the teacher retirement system. This is the teachers' bill that will give the TRS a ~~\$100~~ \$50 million infusion, but will keep GABA at 1.5 percent. PERB is *monitoring*. This bill has been moved from House Appropriations to House State Administration. It was heard on Monday, February 5th. David Senn, Executive Director of TRS spoke on this bill, as did David Ewer, Budget Director, and Tom Bilodeau. There were two opponents of this bill, Bob Vogel and Darrell Rudd. A discussion of various contracts for school superintendents ensued with various questions from committee members. One inquiry was regarding the increase in employer contributions rates for the TRS. The bill was amended in the committee to remove the tightening of loopholes. Passed third reading in the House on March 29th and was transmitted to the Senate. In the Senate it was assigned to the Finance and Claims Committee. It will be heard April 9th.

HB544 – Allow for the withholding of dues from retirement pensions. PERB *opposes* this bill. It is anticipated a ½ time FTE would be required to track and monitor the processing of the dues. It also opens the door for other organizations to request the same rights. This proposal starts with a mandate that the retiree group who belong to an organization comprise at least 50% of the active member number. There have been amendments to this bill already and the anticipation is that administrative rules would be drafted to direct the implementation of the bill. The PERB may be willing to accept this bill if funds were appropriated from the state general fund. John Paull spoke of the need to require an application to process the deductions. It was the feeling of the committee that we are not in the deduction business. MPERA would be allocating funds to implement an option that would benefit less than ½ of the retirement population. The thought was this is not appropriate spending by the PERB. The bill was heard on February 13th. The bill is being amended to only affect the Highway Patrol Officers' and the Municipal Police Officers' retirement system. As of February 27th, the bill passed the House. Rep Jacobson stated a precedent has been set because state payroll takes several

types of deductions from employee checks. A question was asked whether we could charge the organizations for this service. This bill was heard in the Senate State Administration on March 23rd at 3pm. Senate State Admin questioned the expense to upgrade the retiree database. They have requested ITSD verify our estimate. ITSD gave an affirmative opinion on the MPERA estimate for the system upgrades. **This bill was tabled in committee on March 30th.**

HB559 – Increase exclusion of retirement benefits on state income tax from \$3600 to \$5400. PERB will *monitor* the bill. As of February 14, 2007, the bill passed the House by a unanimous vote. This bill will only help a few of the lower paid benefit recipients. The bill passed third reading in the House and was transmitted to the Senate on February 26th. Assigned to the Senate Judiciary and then re-assigned to Senate Taxation, it does not have a hearing scheduled.

HB765 – Revise retirement laws. The PERB *opposed* this bill for adverse selection and special interest for a select few individuals. The purpose of this bill is to provide certain persons that are serving in the Montana legislature to revoke an irrevocable election. The bill passed the House and has transferred to the Senate as of February 27th. Staff has discussed this with Dave Senn, TRS Executive Director. He states the election for legislature is meant to bridge their service. This bill was heard on March 23rd in the Senate State Admin committee. Ms. Symons suggested that they try once again to have the bill amended. This bill was returned to the House with amendments on April 5th.

HB771 – Revise actuarial valuations and reporting for retirement systems. PERB is *informational*. The bill appears to be asking for information that is already being provided. The bill proposes annual actuarial evaluations but allows the extra expense to be excluded from the Board's budget cap. The bill has passed the house and has moved to the Senate as of February 27th. This bill passed third reading concurred on April 4th and was returned to the House.

HB814 - Revise postretirement benefits and increases in statewide police retirement systems (Frank Cole bill). PERB will *oppose* due to prohibitive costs and leapfrogging. Senator Carolyn Squires has requested Representative Robin Hamilton to sponsor this bill. This bill includes an ad hoc \$500 permanent adjustment to certain retirees before 1991 and increases the GABA from 3% to 5% for all police that have chosen GABA. There is a \$1 million appropriation in this bill. The actuary's analysis shows an increase of \$100 million to the UAL. The amortization periods increases from 21.4 yrs to infinity. This bill was heard in the House State Administration on March 19th and **tabled on March 20th in executive action.**

HB824 – Exempt military pensions from state income tax. PERB will be *informational* unless it includes all pensions and then would *oppose*. This bill was heard in the Taxation committee on March 21st. The board has asked staff to go to the hearing and have clarified whether or not it includes all pensions or just military pensions. The way the bill is written it could be interpreted either way. Staff spoke with the sponsor –

intent is military pensions only. An amendment was proposed to clarify. **This bill was tabled in committee on March 30th.**

HB827 – Revise pension plans for new hires. This is Balyeat's bill and sponsored by Himmelberger. PERB will *oppose* this bill for many technical reasons. This bill closes the PERS-DBRP, PERS-DCRP, TRS and ORP and establishes for PERS and TRS a new mandatory DC plan for all new hires beginning July 1, 2009. The actuary is looking at the cost to close the PERS-DB plan. Troy wanted to make it known that the board was not against a DC plan but the Board also questions why a new DC plan is needed. Terry thought staff ought to reaffirm to the legislature the value of the DB plans and let them know the amount of money returned to the communities by way of payment of benefits to retirees. **This bill was tabled by the committee** but they also talked about doing a study.

SB33 – Procedures governing social security numbers and computer security breaches. PERB is *tracking*. The outcome of this bill will affect MPERA. It is in the Senate Local Government Committee. This bill has passed the Senate and has moved to the House. This bill was heard on April 2nd.

SB47 – Clarify sponsor notification for administrative rules. PERB is *neutral*. This bill passed the Senate unanimously and the House concurred. The bill was returned to the Senate March 31st. It was returned from enrolling on April 4th.

SB62 – Increase payment to advisory board members. PERB is *tracking*. This bill does not affect EIAC members. This bill passed the Senate unanimously, the House (63-37) and was signed by the Governor pm March 27th.

SB71 – Revise bill sponsor notification for administrative rules. PERB is *neutral and informational*. The bill has passed the Senate and the House concurred. The bill was returned to the Senate with amendments on March 31st.

SB72 – Require Senate Confirmation of PERB nominations. PERB is *neutral*. Staff testified that PERB has no objection to this bill at the last hearing on January 12, 2007. This bill, with no amendments, passed the Senate and the House and was signed by the Governor on March 27th.

SB113 – Increases meal reimbursement rates for state employees. The PERB is *tracking*. The increase changes meal rates to 85% of the federal rates. The bill has passed the Senate on February 23rd and has transferred to House Appropriations. It was heard on April 3rd.

SB168 – Transfers public employee accrued leave into post-retirement health care account. The PERB is *informational*. This bill does not include comp time. Employee contributions are paid on all lump sum distributions so it does not affect the system but does impact the retirement benefit. This bill is assigned to the Senate State Administration committee. MPERA was there as informational testimony on January

24th. The bill passed the Senate on February 23rd (49-0) and passed the House (81-17). The bill is on the Governor's desk.

SB175 – Prohibits application of rule until the rule is effective as law. PERB is *neutral and informational*. The bill is assigned to Senate State Admin committee. The bill passed the House State Admin Committee and Rep. McNutt is to carry the bill on the House floor. The bill passed the 3rd reading on the floor (99-0). The bill has been returned to the Senate with amendments on March 23rd.

SB467 – Revise membership and meetings of board of investments. The PERB will *monitor*. The bill, with amendments, would allow BOI to keep the current number of voting members and add two non-voting members from the legislature, a Senator and a Representative from different parties with applicable experience. The bill passed the Senate and transferred to the House as of February 27th. This bill passed (16-0) the House Business and Labor on March 26th. The bill was transmitted to the Governor on April 3rd.

SB489 - Allow Public Funds to Invest in Private Corporate Capital Stock. The PERB will *monitor* this bill. This bill requires a Constitutional amendment. To allow up to 25% of certain public funds to be invested in private corporate capital stock. The bill passed the Senate and the House concurred on April 4th. The bill was returned to the Senate with amendments also on April 4th.

SB532 - Revise firefighter's retirement laws. This bill was amended and the PERB *supports* as amended. There are now two major points to this bill.

- 1) Authorizing participation in the retirement system by certain fire departments
- 2) Authorizing return to service for a limited number of hours (480 980) without loss of benefits.

Also amended out was the change in the definition of compensation and the DROP. The bill passed out of Committee. The bill transferred to the House on February 28th. This bill will be heard on March 23rd in the House State Admin. House State Admin heard the bill on March 23rd. Several fire chiefs from rural departments testified that they spent money training firefighters that transferred to the nearest municipal department to be part of FURS for the retirement and disability benefits. The committee had a lot of questions. This bill passed the Senate and was transmitted to the House on February 28th. It passed the third reading concurred on April 2nd and was returned to the Senate. The bill was returned from enrolling on April 4th. After the bill was transmitted to the Governor's office, the budget office requested an actuarial study.

Other discussion

Regarding HB131 – Ms. Minnehan testified as informational in the hearing on April 3rd but in her testimony Mr. Ewer passed a note to the committee chair and the chair stated that her testimony was opposition rather than informational and that Ms. Minnehan's testimony would be changed to opposing. Much mis-information occurred in the testimonies that were heard. Ms. Symons is working on an amendment to restore the language about the additional contributions being used to pay down the DC loan, PCR-

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UAL and the disability. A couple of Senators will be contacted to try to carry the amendment. The bill does include the contingency voidness clause and is attached to bills 805, 806, 807, 808, 809, 819 and 820.

Regarding SB532 – This bill is on the Governor's desk. He wants to do an amendatory veto on the bill and reduce the contribution paid by the State general fund. The budget office has requested that we have the actuary perform a study to find out how much the state contribution can be reduced and keep the funding within 20 years. After the amendatory veto the bill will have to pass 2/3 of each house.

Un-introduced Legislation

None

Other Business

The next meeting will be April 10, 2007. There being nothing else to come before the committee, Mr. Griffith adjourned the meeting at 2:25 pm.